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The Tire and Car Shortage Will Not Halt Decentralization

It will cause a pause in its progress but after the war the trend will again become as pronounced as it was before

By CARLTON SCHULTZ

DECENTRALIZATION of central business districts is but the manifestation of the normal character of human nature—the desire to do things the easiest way with the least effort.

War and the lack of automobiles and tires will not change the ultimate course of decentralization. They will temporarily delay its progress but I fear that in the long run the war will cause further and more widespread decentralization of central business districts than we have seen heretofore.

Chain stores, and particularly the super chain developments at community centers, now built and well located, will not pass out of existence. If the automobile and tire situation continues as it now is, fewer and fewer customers will drive into the parking lots of the chain developments. To take the place of the private car, however, every municipality is putting more and more pressure on the organization of better bus transportation. The well-located super chain development is, of course, on the main thoroughfare and can be easily reached by either existing public transportation or by the bus service soon to be developed.

The corner grocer of the past did not depend on people driving to the store for his entire business, or even for a large

WARS always bring change and this one probably will not be an exception. Mr. Schultz doesn't think the tire and car shortage is going to have a permanent effect on urban decentralization—in fact, he sees the trend resumed bigger than ever after the war. And when several hundred thousand air-minded young men get back from the war you can depend on it that the private airplane is going to occupy a more important place in transportation than before. Mr. Schultz is President of Carlton Schultz Investment Co. of Cleveland. Contributions of his have appeared before in these pages.

part of it—he held customers for many years against the chains through telephone orders and a good delivery system.

There is no reason why the super chain stores in any one development can not now pool their deliveries so that the average buyer of meat, groceries and the like, who cannot easily go to the store and select just what she wants, will be content to take what the reliable merchant sends to her. This gives the store which deals in integrity as well as merchandise, a fine opportunity to increase its business.

During the war, people will follow the path of least resistance in buying, just as they always have. The merchant now in business at the most convenient neighborhood center, has the best chance of retaining his old customers during the war. Because of the ability to make quick deliveries, he will get more of the telephone business within his territory, and because of his convenient location will still be called on by many buyers who will come on public transportation or on bicycles.

It was the convenience to the district to be served that established a community shopping center where it is. Community centers will remain where they are as long as they continue to be the easiest and most convenient places in which to buy.

After the war, with the return of several hundred thousand air-minded young men, the urge toward decentralization will be even greater than it now is.

Air-minded people will see no necessity for living on a fifty-foot lot, when

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they can live on acreage and fly their private planes to the end of high speed city transportation, leave the plane in a large parking lot, and go into the city or to their outlying business on buses, street cars, or other public transportation.

With the development of the newer types of airplanes which can go up and down vertically or even stand still in the air, the question of handling planes in congested areas becomes less and less worrisome.

Bad roads held back the development of the automobile—lack of air fields and sufficient air-minded people have held back the airplane as a cause of decentralization. With the removal of these drawbacks, the airplane will become an important factor to be considered in the future.

Sees many advantages in the small towns for industries

Another important development in decentralization is the construction of large new defense industries in small towns. The factories are up-to-date. At the end of the war, many of these modern mass production buildings will be continued in operation and the smaller competitors in cities will be closed. We can see the handwriting on the wall. The advantages of being located in a small town are many. Among these, we must give special consideration to the fact that the factories in small towns and in the country, make the work-farm method of living possible. Instead of going to the soup kitchen when the production line stops, the worker can work in his garden or tend his chickens—good for both his morale and his pocketbook.

These small towns have everything from churches to movies to suit everyone's desire for spare time activity. As far as necessities are concerned, the dweller in the small town can buy the same things as are in the stores—can hear the same radio programs, and can see the same movies at Doakes' Corners as on Broadway in New York.

Life can be lived without pushing or crowding and air can be breathed instead of gasoline fumes.

In decentralization, we usually think of the neighborhood center only, but in the old farming town, streamlined by new industries, we have another bidder

A Mortgage Man's Responsibility and Duty During These Times

By W. W. BEAL

There are some thought-provoking ideas in these observations of the president of the recently-organized Black Hawk County Real Estate Mortgage Association. Mr. Beal is president of Iowa Securities Co. of Waterloo. This is a condensation of an article from the current BULLETIN of the Iowa Mortgage Bankers Association.

Mortgage bankers should use caution in following too closely increases in the cost of building. We cannot entirely ignore these higher costs or we shall see the government taking over the field. Once in, the forces of bureaucracy will fight to stay in permanently. Furthermore, the safety of loans can be safeguarded to a considerable extent by the now common practice of monthly payments.

Many assume that the period following the war's close will be one of serious depression. It seems to me more likely to be one of great activity. All the stored-up wants will make themselves felt—new homes, new autos, radios, refrigerators. Equipment of all kinds will be replaced and millions of men dismissed from war work will find jobs in these normal activities. Add to this the unlimited demands of foreign countries for rebuilding for which some international plan of financing must be devised. Unless there is bad bungling of the task of readjustment, a short-sighted labor policy or a strong trend toward socialism which would destroy public confidence, the four or five years following the war should mark a great increase in the volume of mortgage business. Beyond that, we cannot see.

Comparatively few farm loans have been made in the last decade outside the federal system. With high prices for farm products and the feeling of many

well-to-do city people that a farm is a good thing to own, there should be more farm sales now and thus more farm loans. Since the amortization on farm loans is much lower than on city mortgages, still more care should be exercised against being too much influenced by current sale prices.

Most mortgage companies probably face a reduction of both new business as well as of the total volume carried on the books in the next few years. This calls for reduction of expenses where possible and for a far-sighted policy on the part of insurance companies and other principals whereby a greater compensation may be allowed their correspondents during the emergency.

Such a policy is well justified by the preservation of correspondents' organizations which, through the years, have built up valuable lists of borrowers, have attained enviable reputations in the community, and have proved their ability to safeguard the investors' interests and understand their methods. The service of a conscientious and able correspondent is invaluable in times of strain, and cannot be ignored then and picked up at short notice when active business comes again.

At the same time the loan company must resist the temptation to build up volume by accepting security which in ordinary times would be declined. The skill, care, and integrity with which mortgage men carry on their business during these trying years will determine the esteem in which the public will hold them and the place they will occupy in the future. Many opportunities will occur to be helpful to both the borrower and the lender. We owe an obligation to both. The understanding with which

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for the retail business formerly concentrated in cities.

No, the present automobile and tire situation will not stop decentralization—it will merely cause a pause in its progress, a pause which will be a breathing

spell. At the end of the war, downtown merchants in large cities will not only have to compete with the neighborhood business centers but with the greatly amplified business activity of the merchants in the small outlying cities.

BILL CLARKE DISCUSSES SOLDIERS AND SAILORS ACT AT NEXT 5 CLINICS

ANNOUNCING the Who-and-What You Will Hear at MBA's Western and Southern Clinics

DR. GUSTAV STOLPER

Internationally-known author, economist and lecturer

Speaking on "World Affairs and the Economic Effects of the War on Interest Rates, Real Estate and Mortgages"

MBA is proud to present at our Western and Southern Conferences and Mortgage Clinics, a distinguished American with a world-wide reputation. Dr. Stolper was head of the research department of the Austrian General Commissariat for War Economy in the last war and was the founder and editor of *Der Deutsche Volkswirt*. He was also Berlin correspondent for the famous London *Economist*. He was formerly a liberal member of the German Reichstag for the Free City of Hamburg but left Germany in 1933 while he was still free to remain and came to this country. He became a citizen at the the earliest possible opportunity and is now an economic consultant in New York. He is the author of "German Economy 1870-1940" and the recently published, "This Age of Fable."

FRANKLIN D. RICHARDS

Deputy FHA Commissioner for Zone 5

Speaking on "Title VI Loans and Defense Housing"

Mr. Richards will discuss fully all details of Title VI loans as Mr. Cahill did at Chicago. Come prepared for a full review of defense housing and the new FHA loans about which most of you will be increasingly concerned in the future. Mr. Richards was a well known attorney in Salt Lake City before going with FHA. His district comprises ten western states and Alaska and Hawaii.

A REPRESENTATIVE OF THE

Housing Priorities Division, War Production Board

Speaking on "Priorities and Availability of Building Materials"

Nothing concerns mortgage bankers more vitally than the decisions of the War Production Board's Housing Priorities Division and this representative will be on hand to explain just what is being done in this field and what you may expect in the future.

FREDERICK P. CHAMP

MBA President, Logan, Utah

Speaking on "Mortgage Banking in a War Economy"

Mr. Champ will review recent developments in the field of mortgage lending as he has observed them and describe his impression of the trend of thinking among leaders in the field, particularly government agency officials, as to what we may expect in the immediate future.

CHARLES A. MULLENIX

MBA Vice President, Cleveland

Speaking on: "Rent Control Legislation"

Mr. Mullenix is a past president of the National Association of Apartment House Owners and is a recognized authority on urban real estate problems. During the past year he has conferred constantly with Washington officials concerning problems affecting MBA members' interests and in recent months has been following developments in OPA as they were related to rent control procedure. He will come to the Western and Southern Clinics fully prepared to describe what rent control means, how it will operate and answer the questions puzzling you today.

W. A. CLARKE

Clinic Moderator, Philadelphia

Speaking on: "The Soldiers and Sailors Civil Relief Act"

Mr. Clarke conducted the fast-moving and popular FHA and Priorities Clinic in New York last October and the first 1942 Clinic last month in Chicago. He will again be on hand at the Western and Southern meetings to make them equally interesting and valuable for MBA members. In addition, Mr. Clarke will address the meetings on "The Soldiers and Sailors Civil Relief Act."

IMPORTANT NOTE: Our speakers on FHA, Priorities and Rent Control will be in constant communication with MBA's Washington contacts all during the Western and Southern swing so that they will be in a position to give you the latest available data on these matters as well as reflect to you any pending changes that may affect them. If you live in an area served by one of these Clinics, do not fail to attend because the time spent will be two of your most profitable business days in 1942.

YOU'LL HEAR LATEST AVAILABLE INFORMATION OF PRIORITIES AT NEW CLINICS

Next on the MBA Program Are Our Western Clinics

Eight cities will be covered in our second Clinic swing; we hope to duplicate our Chicago success

NOW that the Chicago Conference and Mortgage Clinic is over and MBA has taken what President Champ called "the first step in a nationwide effort which the Association's officers feel will be an important contribution to the thinking of mortgage men during the war period," initial plans for the remaining meetings are being rapidly perfected.

First comes the three luncheon or evening meetings in Denver, Salt Lake City and Portland, followed by our West Coast series of Conferences and Mortgage Clinics in Seattle, San Francisco and Los Angeles. These, in turn, will be followed by our Dallas and New Orleans meetings in April. That will end the first series of Clinics which will be followed by our Eastern and Southern swing in May (see page 5).

The pattern of the Western and Southern Clinics will follow that used at Chicago with some additional features. Each of the five full Conferences and Mortgage Clinics in our March and April swing will consist of four half-day sessions. One will be devoted to *Housing Priorities and the Availability of Building Materials*. This section was handled by Sullivan Jones at Chicago and in our Western and Southern tour will be under the direction of an official of the Housing Priorities Division of the WPB authorized to speak for Mr. Jones.

Similarly, another section will be devoted to *FHA Title VI Loans and Defense Housing* which was conducted by Raymond T. Cahill, Assistant FHA Commissioner. This session will be conducted by Franklin D. Richards, Deputy FHA Commissioner, who will speak as

frankly as Mr. Cahill did in Chicago.

A third session will be devoted to *Effects of the War on Mortgages, Real Estate, Interest Rates, Etc.* For this, MBA has been fortunate in securing the services of Dr. Gustav Stolper, internationally known economist (see page 3).

The fourth session will be devoted to *Open Forum Discussion and Individual Conferences*. This section is new and is made possible because several national officers of MBA are making this trip and will be available for discussing individual problems.

The plans for this section call for individual consultation rooms where any member attending the Clinic may consult with these MBA officers on any particular problems he may have. It is felt that there are many problems today which members do not care to discuss openly, even in a restricted session like our Conference and Mortgage Clinic. This feature is being arranged for their benefit.

Among the national officers who will be at all the Western and Southern Clinics are Frederick P. Champ, Logan, Utah, MBA President; W. A. Clarke of Philadelphia, Chairman of the MBA Finance Committee, who will conduct the meetings as he did in Chicago and speak on the Soldiers and Sailors Civil Relief Act of 1940; Charles A. Mullenix



Shown here are most of the nearly 300 who attended the Chicago Conference and Mortgage Clinic. On the speaker's platform are, left to right, Raymond T. Cahill, Assistant FHA Commissioner,

W. A. Clarke, conductor of the Clinic and MBA President Frederick P. Champ. The lone woman in the group is Mrs. Marguerite Moyer, Executive Secretary of the Chicago MBA.

AT NEW CLINICS LOCAL MORTGAGE PROBLEMS WILL BE GIVEN SPECIAL ATTENTION

of Cleveland, MBA Vice President who will speak on Rent Control; and George H. Patterson, MBA Secretary and Treasurer. President Champ will speak on "Mortgage Banking in a War Economy."

For our next series, MBA is fortunate in having a particularly active and aggressive group of members in the cities to be covered by the meetings.

Roy F. Taylor heads the local group for Seattle Clinic

Roy F. Taylor, vice president, Seattle Trust and Savings Bank, heads the organization group in Seattle, with Ralph Knapp, vice president, Washington Mutual Savings Bank, Seattle, co-chairman. Dean Vincent, Dean Vincent, Inc., Portland, is vice chairman for that city and Geo. D. Poe, George D. Poe & Co., Tacoma, acting for his city. Walter Egger, vice president, Spokane and Eastern Branch of the Seattle First National Bank, Spokane, is vice chairman for that city. The meeting will be sponsored in joint collaboration with the Seattle Mortgage Bankers Association, the Portland Mortgage Correspondents Association and the Spokane Mortgage Men's Association. W. Walter Williams of Seattle is a past president of the national association and Reade Ireland of Portland is now an association governor.

Raymond B. Haizlip and Wallace Moir to head California groups

The meeting in San Francisco will be under the direction of Raymond B. Haizlip, president, Mutual Mortgage Company. Others who will participate include P. V. R. Schuyler, Coldwell, Banker & Company, and Gordon Thomson, West Coast Life Insurance Company. The meeting will be sponsored jointly with the Northern California Chapter of the Mortgage Bankers Association, of which Mr. Haizlip has just been elected president. Frederick H. Duhring, Berkeley, a member of the MBA Board of Governors, is vice president, and Wilbur F. Warner is secretary. Directors include Mr. Warner, Clayton B. Turner, Henry A. Stonelake, Herbert S. Samuelson and James C. Phillips.

Wallace Moir, President, Belmont Company, and a Regional Vice President of the Mortgage Bankers Association of

West Coast and Southern Clinics Next Plan Now to Attend at Least One

FIRST SERIES

Denver (Luncheon meeting) March 23
Salt Lake City (Dinner meeting) March 24
Portland (Luncheon meeting) March 26
Seattle, Olympic Hotel March 27-28
San Francisco, Sir Francis Drake Hotel Mar. 31-April 1
Los Angeles, Biltmore Hotel April 3-4
Dallas, Baker Hotel April 10-11
New Orleans, St. Charles Hotel April 13-14

SECOND SERIES

Philadelphia May 1-2
Atlanta May 4-5
Cleveland May 11-12

America, will be in charge of the meeting in Los Angeles. Others taking part include Havelock C. Boyle; Carl F. Burrell, Carl F. Burrell, Inc.; John M. Marble, The John M. C. Marble Company; Morgan Adams, Mortgage Guarantee Company; T. S. Burnett, Pacific Mutual Life Insurance Company; J. E. Hatch, Security-First National Bank of Los Angeles; Edgar G. Harkness, Western Service Corporation; H. F. Whittle, H. F. Whittle Investment Co. and a member of the MBA Board of Governors; and Frank C. Winter, Winter Investment Co.

The meeting will be jointly sponsored with the Southern California Mortgage Bankers Association.

T. A. Blakeley, head of Texas MBA, will direct the Dallas Clinic

The Dallas meeting will be in charge of T. A. Blakeley, president of the Texas Mortgage Bankers Association and of the Mortgage Corporation of Texas. Others who will participate include W. Foster Gillespie, Gillespie and Gillespie; Benton F. Joyner, The Joyner Mortgage Co., Inc.; Porter Lindsley, J. W. Lindsley & Co.; W. A. McKinley, W. A. McKinley

& Co.; Wm. S. Bradley, Mortgage Investment Corporation; J. F. Murray, Murray Investment Company; Aubrey M. Costa, Southern Trust and Mortgage Co., and James N. Tardy, James N. Tardy Company.

Owen M. Murray of the Murray Investment Company is a former president of the Mortgage Bankers Association of America. MBA last sponsored a Clinic in Dallas last May.

The Texas MBA annual meeting will also be April 10.

Joseph M. Miller making local arrangements in New Orleans

New Orleans will be the last city covered on this swing. Here local arrangements are in charge of Joseph M. Miller, member of the MBA Board and president of Miller Mortgage Company. Others who will assist include A. K. Northrop, Dane & Northrop; Wilfred G. Gehr; Louis B. Trenchard, Pan-American Life Insurance Company; and J. P. Hogan, Standard Mortgage Corporation. The newly-organized New Orleans Mortgage Bankers Association will cooperate in the meeting.

CHARLEY MULLENIX GIVES YOU A FULL REVIEW OF RENT CONTROL AT NEW CLINICS

"The Most Practical MBA Meeting I Have Ever Attended . . ."

That's what more people than we ever before recall said about the Chicago Clinic; here's a short review of it

AT MBA's first 1942 Conference and Mortgage Clinic, in Chicago, members heard Sullivan Jones, Director of Housing Priorities of the War Production Board, say it was true that a "stop-order", banning all construction except that absolutely essential to furtherance of the war, was under consideration and that it could be expected "shortly".

It was the clearest and most official statement on the long-rumored order yet made and aroused much interest among those at the meeting. Many members called their home cities at once to advise their offices of what to expect. We mention it here in reviewing the Chicago Clinic as an example of the type of practical information which came from this first 1942 Clinic meeting.

The Clinic itself was the largest yet held by MBA. Nearly three hundred were registered from 65 cities in 26 states. In his remarks opening the two-day session, President Frederick P. Champ declared that the primary purpose of the regional Clinic is to explore ways and means by which mortgage men can more effectively contribute to the success of the war effort.

We seek to help members keep their businesses alive today

"We are seeking ways whereby mortgage bankers can keep their businesses alive and solvent and thereby contribute to the soundness of the financial structure of the nation. We represent a large segment of the investment capital of the nation. We must do everything we can to help pay for the war and win the peace. Further, we must seek methods by which we can contribute to the stability of the world in the post-war period.

"The time has passed for any serious

consideration now of broad scale plans for elimination of blighted neighborhoods with full government subsidy. Some slum elimination will have to be done as a part of the war program but to seriously consider huge government-financed projects paying no taxes at a time like this is absolutely unwarranted."

The threat of inflation grows and we must help thwart it

Mr. Champ warned that the American people must be prepared to accept a simplified standard of living in the immediate future. The threat of inflation grows almost hourly, he added, and self discipline on the part of our people and the government is needed badly. "In this connection, we should not falter in seeking a reduction in all non-defense expenditures. They must be cut to the core," he said.

"If we are wage earners in defense industries, we must not forget that our increased wages and increased purchasing power are the greatest present factors in inflation. An unchecked rise in wages will bring about inflation in spite of all efforts to hold prices down. And, above all else, there must be a realization that there are absolutely no financial panaceas which will shortcut the necessity of ultimately facing the financial obligations of total war."

The first speaker on the opening morning was Raymond T. Cahill, Assistant FHA Commissioner, who declared that private capital must be prepared to take greater risks than it has ever taken before so that the nation's defense housing program will not fail.

"Most of all, we need rental housing. Practically the entire demand is for rental units. If private capital doesn't provide it, the government will do so.

"This is going to be one of the most tragic years in the history of this nation, if everyone does not do his full job in the war effort. We must take risks—extra risks. This nation risks being dissolved and we must risk everything to prevent it.

"The federal administration won't be mandatory with you. We won't try to force anything on you, but private capital must do a job in defense housing and do it fast. If private operators and lenders fall down, they will have no complaint to offer in the future."

Mr. Cahill particularly urged members to extend full cooperation in making a success of FHA Title VI program. One member called for a show of hands as to how many bankers were making Title VI loans and the vote revealed that more than 60 per cent of them were doing so at the present time.

Mr. Cahill declared that at this time no bill has as yet been presented to congress proposing to amend Title VI but that serious consideration is being given to amendments to raise the loan limit on single-family dwelling units to \$5,400, on two-family dwellings to \$7,500, on a three-family to \$9,500, and four-family to \$12,000.

What Sullivan Jones said about the contemplated "stop order"

In addition, they have discussed raising the maximum insurable limit to one billion dollars, extend the maturity of the loans to 25 years, and an extension of Title VI for another year from its present expiration date of June 30, 1942. Section 207 would also be amended to provide insurance of 90 per cent loans instead of the present 80 per cent. He said he didn't know when the amendments would be presented or when the legislation might be passed.

Sullivan Jones followed Mr. Cahill. Regarding the "stop-order" he said:

"I have seen the order and I have watched its development over two months. I have seen the twelfth draft. I submitted a memorandum on it. Anyone who knows what the situation is in respect to scarce metals and the abuses that are going on in their use, must arrive at one conclusion: that there is going to be a stop construction order."

Apparently all construction not essential
(Continued next page, column 1)

A TOP FHA OFFICIAL DISCUSSES ALL ASPECTS OF TITLE VI LOANS AT CLINICS

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What James A. McLain thinks of future conventional loans

tial to the war effort will be stopped, Jones indicated, but added:

"Nothing essential is going to be stopped—I can assure you of that."

"Does that (the order) include jobs under construction?" he was asked.

"Yes," said Jones.

The first speaker on the second day was James A. McLain, president, The Guardian Life Insurance Company of America, who declared that the government is going to finance the war on a 2½ per cent basis, certainly no higher than 2¾ per cent. He warned mortgage bankers that it is to their best interests to get fully behind the government's defense housing program.

"The government says this housing is needed and if no one will provide it, the government will be forced to do so. Life insurance companies should finance their fair share of Title VI loans or insured mortgages under further amendments."

He said he believed the conventional type of mortgage loan was out for the duration of the war.

Regarding the general insurance situation, Mr. McLain said that premium income should continue to grow and that sales should continue in good volume—"as witness the experience in 1941 when, in a country at war for over two years, new insurance sales in Canada were up about 15 per cent. The renewal rate on old policies should improve and it will be impossible to replace existing insurance with new issues comparable as to terms and policy provisions. Income

from new annuities and single premiums may decline as companies are not anxious for this type of business under present conditions."

He said increasingly larger proportions of life insurance funds will go into government bonds.

"Regarding the government's role in industrial expansion," Mr. McLain said, "prior to the war the government had become an active and serious competitor in the money lending field. Except for the assumption of pure war risk, here is one of the newer concepts of government that should be soft pedalled or discarded until we win the war. Then, if private capital has failed to perform satisfactorily, the government may resume its competitive practices."

The session ended with an address by Claude L. Benner, Vice President of the Continental American Life Insurance Company of Wilmington, and a well-known economist. Mr. Benner gave MBA members something decidedly different from what is usually heard today. His address projected a highly optimistic picture of the future. He said that no severe depression in this country is necessary or probable in the post-war world which will be characterized, more than anything else, by a revulsion on the part of people against the strict controls set up by government.

"No severe depression is inevitable nor even likely after the war. I think we are likely to have something similar to what we had in 1919 and the early part of 1920—namely, a first class boom with a sharp upturn in prices unless the government exercises strict control to keep them down. World stocks of consumers goods are going to be practically exhausted after the war and this shortage will lead to a rapid upturn in business and ought to permit, with a short lag, business to shift from the production of war goods to consumers goods.

After the war people are going to be sick of regimentation

"The capitalistic system, as we have known it in the past, will not be dead and gone after the war. It will no doubt be modified. Rather than being dead, it is only in its youth. This country will not be in a permanent state of exhaustion from which it cannot recover.

"The governmental controls, which it

is going to be necessary to establish and exercise over our free democratic way of life, are not likely to be continued after the war. If history shows anything in this respect, it shows that a reaction always follows any movement that goes to extremes. My guess is that people all over the world are going to be so sick and tired of having their activities controlled by governments that there is danger, for a short time, that we may go too far in the direction of throwing off government controls. I do not expect any return to the old laissez faire economy but neither do I expect a continuation of the planned economy."

The war will be financed on a low interest rate basis

He predicted a great revolution in the field of transportation after the war as a result of the development of the airplane and compared it to the introduction of steam power two centuries ago. After the war Mr. Benner foresees a great flow of capital from this country to other nations all over the world.

Discussing interest rates, on which Mr. Benner is considered an authority in life insurance and investment circles, he declared that "the government can continue interest rates at their present low levels, or somewhat approaching them, if it wants to take the steps to do so, certainly for the duration of the war. But it can only do so at a certain cost.

"When the nation once begins to work at its maximum capacity, and output can no longer be increased, either because of the lack of raw materials or inadequate labor supply, then, if the government, in an attempt to make interest rates low, pumps additional purchasing power into the market through such inflationary moves as by the federal reserve banks buying government bonds, prices will go up unless the nation is rationed. Capital markets will have to be controlled. There is no doubt that it is going to be possible to finance the war at a low interest rate. Perhaps not as low as 2½ per cent for long-term government bonds but certainly at a rate no higher than 3 per cent.

"These low interest rates can only be maintained at the expense of controlling a good many other factors in our economic life."

INDIVIDUAL CONFERENCES ON MORTGAGE PROBLEMS AT NEW SERIES OF CLINICS

These Servicing Problems Are as Important Now as Ever

By F. M. H. CURRIE

TODAY with so many war-created problems—such as Title VI loans, defense housing, Soldiers and Sailors Relief Act, etc.—crowding a mortgage man's interests for first attention, care should be taken not to neglect the usual problems of servicing, many of which have been the subject of much pro-and-con discussion in recent years. For example, here are my contributions toward solving several servicing problems brought up at the Philadelphia MBA Winter Clinic.

Should bills be rendered for all payments? No as to FHA mortgages and monthly payment conventional loans, and yes as to quarterly and semi-annual mortgage loans.

Our method of notifying and billing mortgagors is comparatively simple: Immediately after settlement, our service accounting department prepares a letter notifying the mortgagor:

(1) The amount of his initial payment, with an explanation; (2) the amount of his future regular payments (broken down by M.I.P., taxes, insurance, interest and principal); (3) we also state that no monthly bills will be sent, and enclose a coupon book informing the mortgagor that he is to send one coupon with each remittance; and (4) instructions are given as to drawing the check, and to send in all tax bills on their property, should they be sent to them by the tax office.

Quarterly and semi-annual conventional loans are billed in the regular manner thirty days before the due date.

Receipts to mortgagors are not necessary. In our office receipts are issued only in cases where cash payments are made to the cashier at the window. Our form is the regular receipt form, made in duplicate, original for mortgagor, copy being retained by the cashier.

A very large mid-western mortgage servicing company was involved in a system of mailing monthly bills and returning a receipt by mail. This, plus other idiosyncrasies, finally caused this com-

pany to rid itself of mortgage servicing, stating that "results show it to be unprofitable." No wonder!

Occasional delinquents should be notified by letter on the 16th of the month, adding late charge, and then by telephone or follow-up letter on or about the 25th.

Chronic delinquents should be notified by telephone, threatening letter, and then by attorney. We usually get good results when our attorney sends them a letter stating the account has been handed to him for foreclosure.

Does the penalty charge on FHA mortgages help to keep down chronic delinquency, and would it be advisable to use a similar penalty on conventional loans?

Yes, I think the penalty on FHA loans keeps down chronic delinquency. It would also be advisable to use a similar penalty on conventional loans; that is, on monthly payment loans only, but I doubt that all mortgagees would agree to such a charge. However, one of our mortgagees does insist that we collect accrued interest on quarterly or semi-annual loans when the accrued interest would amount to twenty-five cents or over.

What are the methods of ascertaining tax payments on mortgages when taxes are not held in escrow? Our method is to have the mortgagor bring in or mail the receipted tax bill for inspection and recording on our tax records. A complete check is made at the beginning of each new year, and those bills not inspected for the past year are immediately requested for inspection.

A further check should be made at certain periodic intervals by means of a tax search. This is also a check on the tax collector that he has properly recorded the tax payments.

Should tax receipts be delivered to mortgagors where payment has been made from escrow funds? Do so only upon request of the mortgagors; otherwise, keep them in the permanent file.

How do you protect against corporate tax liens? In discussing this with a promi-

nent real estate attorney, he said: "Don't make mortgage loans to corporations."

In Pennsylvania, we have four State taxes: Corporate Income, Capital Stock, Corporate Loans and Bonus Report.

Peculiar to Pennsylvania, certain of our corporate taxes are self-assessing, which means a corporation will receive a receipt from the State for payment of the current year's taxes, but it takes two to three years after payment of the tax before the Department of Revenue has determined if your assessment is correct.

Another state tax is affected by your federal income tax so that every change a federal taxing agent makes on your federal tax return, the state return is so changed. This means that at least two or three years have passed before you are sure the corporation does not owe more taxes.

The author is treasurer of Eastern Mortgage Service Co. of Philadelphia. This article was condensed from the original prepared for the Philadelphia Clinic.

MORTGAGE MAN'S DUTY

(Continued from page 2)

we treat the interests of each will be a service which no one else can perform as well. This calls for faith in the future, the power to inspire the debtor to fight on, sympathy with his problems and also for those of the lender who trusted our judgment.

War is an all-out national effort. It is fought not only with guns but with every national resource. Real estate is one of the most important and its financing is our job. Let us give it our best.

E. C. Edmonds of the Ohio National Life Insurance Company, George Palmer of the Prudential Life Insurance Company of America, and Allen F. Modisette of the Phoenix Mutual Life Insurance Company spoke at the recent meeting of the Cincinnati MBA. Clifford T. Harvuot, chapter president, presided.

Housing regulations were discussed by five representatives of the Minnesota FHA office at a meeting of the St. Paul MBA and the local real estate board.

Daniel J. Fouquette, state director; Thomas S. Maple, chief valuator; O. E. Sahr, chief underwriter; A. T. Shockey, chief mortgage examiner, spoke.

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